Trium ESG Emissions Improvers Fund Principal Adverse Impact Statement

January 2023

Summary

The priority of the fund is emissions reduction. As such, we concentrate on Principal Adverse Indicators ("PAI") in relation to emissions, including PAI 1, 2 and 3.

However, we are not screening to exit companies with high emissions as a single data point. The fund is focused on the de-carbonisation of hard-to-abate sectors including energy, utilities, transportation, construction, chemicals, industrials, and agriculture. We only invest in companies in hard-to-abate sectors, and avoid technology, health care, financials, and consumer sectors. Therefore, our fund emissions are substantially higher than market indices, as we are purposely buying sectors in which emissions are high.

The reason that we are focused on sectors with high emissions, is we want to buy stocks in high-emitting sectors which are best able to cut emissions quickly and efficiently.

The PAI emissions data supplied in the SFDR disclosure is from the previous reporting year. Therefore, the data provides only a snapshot of each company's emissions trajectory. We consider both a company's historical trend and its plans and ability to cut emissions in the future.

We prefer companies that can grow sales while cutting emissions. Alongside this, we look favourably on emissions strategies which are Paris-aligned and validated science-based targets. The world's demand for electricity, heating, transportation, chemicals, steel, cement, food, housing, and infrastructure will continue to grow. As such, our focus is on companies that can continue to grow sales but offer low-carbon products, rather than divest high-emitting, energy-intensive industrial activities.

On an individual issuer level, we expect carbon intensity to improve over time for individual companies. However, on an aggregated portfolio level, carbon intensity improvement could be lower if we rotate into companies which are beginning their emissions reduction journey rather than those completing it.

PAI 4: *'Exposure to Companies Active in the Fossil Fuel Sector'* - We recognize that given the funds strategy, this will be high. As the Fund is targeting the de-carbonisation of hard to abate sectors, it will own companies involved in fossil fuel sector and which use non-renewable energy as part of their business.

PAI 5: *'Share of Non-Renewable Energy Consumption and Production'* - Similarly to PAI 4, we recognize that given the funds strategy, this will be high. As the Fund is targeting the de-carbonisation of hard to abate sectors, it will own companies involved in fossil fuel sector and which use non-renewable energy as part of their business.

PAI 6: *'Energy Consumption Intensity per High Impact Climate Sector'* - We believe assessing energy intensity per unit of revenue for a range of sectors provides an important efficiency metric. However, the NACE Codes provided, such as Code C (Manufacturing) are too broad, impeding comparability. Where possible, we consider energy intensity on a product or output basis.

PAI 7: *'Activities Negatively Affecting Bio-diverse Areas'* - We have engaged with external biodiversity consultants to develop a framework regarding biodiversity. In parallel, there is a need to encourage portfolio companies to improve data availability and consistency. We believe this data point will become increasingly important for industry, policy, and consumers, especially due to recent COP15 focused on biodiversity.

PAI 8: *'Emissions to Water'* - There is limited coverage and inconsistency in methodology for emissions to water. We will engage with portfolio companies to improve both data availability and consistency. As we are focused on industrial companies, we accept some emissions to water within the portfolio as is typical in industrial processes. We expect companies to minimise emissions to water over time and we recognise environmental regulation as a driver of change.

PAI 9: *'Hazardous Waste Ratio'* - Similarly to PAI 8, there is limited data availability for PAI 9, and we are uncertain of consistency in methodology of reporting companies. We will engage with portfolio companies to improve data availability and consistency. Hazardous waste generation is most common in industrial companies and waste collection companies. We expect companies to minimise this ratio over time. Companies with no industrial activities will not have any direct hazardous waste.

PAI 10: *'Violations of UN Global Compact (UNGC) Principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises'* - We expect to have no companies with UNGC violations in the portfolio. We accept some data providers flag violations via controversy-based screens rather than actual breaches. We will investigate if the violation has been remedied, else we will divest the company.

PAI 11: *'Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises'* - We expect all portfolio companies to have mechanisms in place to monitor compliance with International Labour Organization (ILO) standards, United Nations Guiding Principles (UNGPs), United Nations Global Compact (UNGC) Principles and the Organization for Economic Co-operation, and Development (OECD) Guidelines for Multinational Enterprises. We accept some data providers assess company policy statements as a proxy for internal processes.

PAI 12: *'Unadjusted Gender Pay Gap'* - There is limited coverage and inconsistency for PAI 12. Gender pay gap reporting is only required in a few regions. We accept data providers may take only a portion of employee pay gap (such as in a mandatory jurisdiction) and judge this as representative across countries of operation for a single issuer. We recognize unadjusted gender pay gap is not a perfect or complete measure of equality, but we still monitor this for lack of gender equality within our portfolio companies.

PAI 13: *'Board Gender Diversity'* - We look at this on individual company basis and on a portfolio level. The portfolio level metrics can incorporate a broad range of percentages throughout companies, with geographic location playing a strong influence on this figure. We will engage on this topic where appropriate. We expect to see this number converge to roughly 50% across the portfolio over time.

PAI 14: *'Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)'* - We expect zero exposure to controversial weapons. There may be data errors in this fields and we will investigate further. We will engage on these topics, and if there is a false positive in MSCI reporting, we will discuss this with MSCI.

Voluntary PAI Disclosures

Additional Climate and Other Environment-Related Indicator **PAI 9:** *'Investments in Companies Producing Chemicals'* & Additional Social and Employee, Respect for Human Rights, Anti-Corruption and Anti-Bribery Indicator **PAI 14:** *'Number of Identified Cases of Severe Human Rights Issues and Incidents'*.

Both topics are critical for success in environmental sectors, and have high data coverage, which makes the results meaningful. We expect high compliance with both topics and will engage where appropriate.

The name of the Trium ESG Emissions Impact Fund was changed to the Trium ESG Emissions Improvers Fund. The name change took effect on the 17th February 2023. The Fund investment philosophy remains unchanged; it seeks to achieve strong risk-adjusted returns while simultaneously engaging with companies to improve their emissions profile, hence helping reduce some of the causes of global warming. Updated offering documents are available from the Trium Capital Website.